



Committed to health

Financial Statements Celesio AG 2006

celesio
the healthcare group

Balance sheet at 31 December 2006

	Note	31/12/2005 € '000	31/12/2006 € '000
Assets			
Non-current assets			
Intangible assets	(1)	1,673	912
Property, plant and equipment	(2)	5,352	5,037
Financial assets	(3)	1,854,554	1,897,635
		1,861,579	1,903,584
Current assets			
Receivables and other assets	(4)	551,803	603,815
Cash and cash equivalents	(5)	36	28
		551,839	603,843
Prepaid expenses	(6)	6,787	6,229
		2,420,205	2,513,656
Equity and liabilities			
Equity			
Issued capital	(7)	217,728	217,728
Capital reserves	(7)	1,113,030	1,113,030
Revenue reserves	(7)	256,963	233,470
Profit available for distribution	(8)	119,070	127,575
		1,706,791	1,691,803
Provisions			
Provisions for pensions and similar obligations	(9)	9,714	10,364
Other provisions	(10)	22,530	24,023
		32,244	34,387
Liabilities			
Liabilities with a residual term of more than five years		392,480	501,296
more than one and less than five years		994	1,397
less than one year		286,631	284,124
	(11)	680,105	786,817
Deferred income		1,065	649
		2,420,205	2,513,656

Income statement for the 2006 fiscal year

	Note	2005 € '000	2006 € '000
Net income from investments	(12)	104,609	136,370
Interest result	(13)	(5,715)	(5,948)
Other operating income	(14)	35,405	27,666
Personnel expenses	(15)	(23,335)	(26,589)
Amortisation of intangible assets and depreciation of property, plant and equipment		(2,361)	(2,222)
Other operating expenses	(16)	(26,384)	(26,778)
Earnings before tax		82,219	102,499
Income taxes	(17)	(27,994)	(1,583)
Net profit for the year		110,213	104,082
Drawings from revenue reserves		8,857	23,493
Profit available for distribution		119,070	127,575

Analysis of non-current assets for 2006

	Intangible assets € '000	Property, plant and equipment € '000	Financial assets € '000	Total € '000
Accumulated historical cost 01/01/2006	7,475	8,019	1,854,554	1,870,048
Additions	673	765	43,453	44,891
Disposals	51	507	372	930
Additions to affiliated companies	(0)	(49)	(0)	(49)
Accumulated historical cost 31/12/2006	8,097	8,228	1,897,635	1,913,960
Accumulated valuation adjustments 01/01/2006	5,802	2,667	0	8,469
Additions	1,434	788	0	2,222
Disposals	(51)	(260)	(0)	(311)
Additions to affiliated companies	0	4	0	4
Accumulated valuation adjustments 31/12/2006	7,185	3,191	0	10,376
Net carrying amounts as of 31/12/2006	912	5,037	1,897,635	1,903,584
Net carrying amounts as of 31/12/2005	1,673	5,352	1,854,554	1,861,579

Intangible assets are composed entirely of software. Property, plant and equipment includes leasehold improvements (including land improvements), other plant and equipment as well as furniture and fixtures. Developments in financial assets are detailed in note (3), Financial assets.

Notes to the financial statements

General

The financial statements for 2006 fiscal year of Celesio AG reflect the activities of a management holding.

The balance sheet for 2006 fiscal year is affected by changes in shares held in affiliated companies, receivables from affiliated companies, and liabilities to banks. The income statement for 2006 fiscal year is affected by the dividends and profit distributions of subsidiaries.

Accounting principles

The financial statements of Celesio AG for the year ended 31/12/2006 have been prepared in euro and in compliance with HGB [Handelsgesetzbuch: German Commercial Code] and AktG [Aktiengesetz: German Stock Corporation Law]. The income statement has been prepared using the nature of expense method.

To aid the clarity of presentation, a number of items have been summarised in both the balance sheet and the income statement. These are presented in detail in the notes.

The classification and development of the summarised non-current assets in the balance sheet of Celesio AG can be seen in the summary on page 4 which is an integral component of these notes.

Valuation principles

The methods used to value assets and liabilities are disclosed in the notes to the individual balance sheet items.

Notes to the balance sheet

(1) Intangible assets

These items are valued at cost. Intangible assets are amortised using the straight-line method at rates of between 25% and 33%. The additions made in the year relate to software.

(2) Property, plant and equipment

Additions to property, plant and equipment have been recognised at cost. Furniture and fixtures were depreciated on a straight-line basis at rates of between 5% and 20%. Leasehold improvements were depreciated over the term of the lease or in accordance with the official depreciation tables for buildings. Land improvements are depreciated at rates of between 3% and 11%. Additions comprise leasehold and land improvements as well as vehicles.

(3) Financial assets

	Shares in affiliated companies € '000	Loans to affiliated companies € '000	Investments € '000	Total € '000
Accumulated historical cost 01/01/2006	1,840,219	10,656	3,679	1,854,554
Additions	43,453	0	0	43,453
Disposals	69	0	303	372
Accumulated historical cost 31/12/2006	1,883,603	10,656	3,376	1,897,635
Accumulated valuation adjustments 01/01/2006	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Accumulated valuation adjustments 31/12/2006	0	0	0	0
Net carrying amounts as of 31/12/2006	1,883,603	10,656	3,376	1,897,635
Net carrying amounts as of 31/12/2005	1,840,219	10,656	3,679	1,854,554

Financial assets are valued at the lower of historical cost or fair value. The additions of € 43,453,000 (prior year: € 107,698,000) are primarily a result of prices installments paid later for Healthcare Services Group plc, Bedford (United Kingdom) and Movianto Ceska republika a.s. (formerly Realpol a.s.), Brno (Czech Republic) as well as additional shares purchased in Admenta France S.A., Saint-Ouen (France) and Herba Chemosan Apotheker-AG, Vienna (Austria). Moreover, Admenta Denmark ApS, Copenhagen (Denmark) and P.C. Cahill and Company Ltd., Dublin (Ireland) were purchased and a capital increase carried out at Altiro GmbH, Stuttgart (Germany).

The list of the Group's investment holdings is filed with the commercial register of the local court in Stuttgart.

(4) Receivables and other assets

	31/12/2005 € '000	31/12/2006 € '000
Receivables from affiliated companies	547,142	582,577
Other assets	4,661	21,238
	551,803	603,815

Receivables from affiliated companies and other assets are valued considering any risks of non-collection. Current receivables from affiliated companies include receivables due from 27 companies of the group (prior year: 17 companies).

Receivables denominated in foreign currency are valued at the rate prevailing at the date of origin or the lower rate on the balance sheet date. Other assets chiefly consist of tax reimbursement entitlements and tax prepayments as well as other receivables. Other assets include a tax claim of € 3,277,000 with a residual term of more than one year. Other receivables and other assets have a residual term of less than one year.

(5) Cash and cash equivalents

	31/12/2005 € '000	31/12/2006 € '000
Cash in hand	18	13
Bank balances	18	15
	36	28

(6) Prepaid expenses

Prepaid expenses mainly relate to accrued premiums paid for interest and exchange rate derivatives.

Notes to the balance sheet

(7) Issued capital and reserves

A 1:2 share split was carried out on 24/07/2006. Issued capital amounts to € 217,728,000 and is now split into 170,100,000 (prior year: 85,050,000) no-par value shares. Moreover, the bearer shares were converted into registered shares. Authorised capital of € 43,546,000 is available until 07/05/2007.

(8) Profit available for distribution

The profit of the prior year available for distribution of € 119,070,000 was distributed in full as a dividend for the fiscal year 2005. An amount of € 23,493,000 was drawn from other revenue reserves. Together with the net profit for 2006 of € 104,082,000 the distributable profit as of 31/12/2006 amounts to € 127,575,000.

Pursuant to the proposal for the appropriation of profits, the entire profit available for distribution of € 127,575,000 should be paid out as a dividend for 2006 fiscal year.

(9) Provisions for pensions and similar obligations

Pension provisions were calculated at present value as defined by Sec. 6a EStG [Einkommensteuergesetz: German Income Tax Act] using an interest rate of 6% and the 2005G mortality tables issued by Dr. Heubeck. Pension provisions are calculated at present value and accrued in full.

(10) Other provisions

	31/12/2005 € '000	31/12/2006 € '000
Tax provisions	10,893	10,908
Other provisions	11,637	13,115
	22,530	24,023

Provisions are carried at an amount deemed necessary by prudent business judgment. Tax provisions contain provisions for deferred taxes totalling € 3,799,000 (prior year: € 4,171,000).

Other provisions mainly comprise provisions for personnel-related expenses, remuneration of the supervisory board, commitment fees, outstanding invoices, costs of preparing the annual report, costs of preparing the financial statements as well as outstanding contributions.

(11) Liabilities, contingent liabilities and derivative financial instruments

Liabilities	31/12/2005				31/12/2006			
	Residual term			Carrying amount € '000	Residual term			Carrying amount € '000
	less than one year € '000	more than one and less than five years € '000	more than five year € '000		less than one year € '000	more than one and less than five years € '000	more than five year € '000	
Liabilities to banks	10,110	0	392,480	402,590	16,245	0	501,296	517,541
Trade payables	602	0	0	602	614	0	0	614
Liabilities to affiliated companies	258,170	0	0	258,170	253,731	0	0	253,731
Other liabilities	17,749	994	0	18,743	13,534	1,397	0	14,931
of which taxes	[308]	[0]	[0]	[308]	[623]	[0]	[0]	[623]
of which social security	[272]	[0]	[0]	[272]	[42]	[0]	[0]	[42]
	286,631	994	392,480	680,105	284,124	1,397	501,296	786,817

Liabilities are recognised at the amount needed to settle the obligation. Liabilities denominated in foreign currency are valued at the rate prevailing on the date of origin or the higher rate on the balance sheet date.

Contingent liabilities and commitments	31/12/2005 € '000	31/12/2006 € '000
Guarantee obligations	1,472,110	1,367,353
of which for affiliated companies	[1,472,107]	[1,367,336]
Other financial obligations	5,511	4,389
Obligations from acquisition agreements	24,729	10,828
	1,502,350	1,382,570

Notes to the balance sheet

Most of the guarantee obligations are made to creditor banks (of which € 1,089 million (prior year: € 1,191 million) for Celesio Finance B.V., Baarn (Netherlands).

Other financial obligations relate to rental agreements and future lease obligations for company cars, company equipment as well as for consulting and service agreements.

In addition, contingent liabilities contain purchase price obligations from the acquisition of financial assets.

Derivative financial instruments	Nominal volume		Market value	
	31/12/2005 € '000	31/12/2006 € '000	31/12/2005 € '000	31/12/2006 € '000
Interest instruments	660,500	1,045,500	928	4,367
Currency instruments	763,426	452,744	7,417	(2,378)
Total	1,423,926	1,498,244	8,345	1,989

The assets, liabilities and intended transactions of Celesio are exposed, among other risks, to changes in foreign exchange rates and interest rates. Selected hedge instruments are used to mitigate these risks depending on the individual assessment of the risk.

The use of derivatives is subject to uniform group guidelines, compliance of which is monitored constantly. This includes a separation of functions between trading, administration and accounting as well as only granting power of attorney to trade in derivative financial instruments to a few, qualified employees. Derivatives are only used for hedging purposes, i.e. they are not used for trading or other speculative purposes.

Interest caps, collars and swaps were used in the fiscal year to hedge interest risks. An interest cap puts an upper limit on a variable interest rate. An interest collar has both an upper and a lower limit. An interest swap involves swapping the underlying transaction subject to a fixed interest rate for a financial instrument with a variable interest rate or vice versa for the entire term of the underlying instrument. Forward exchange contracts and currency swaps were used in the fiscal year to hedge exchange rate fluctuations.

Notes to the income statement

(12) Net income from investments

	2005 € '000	2006 € '000
Income from profit and loss transfer agreements with affiliated companies	42,528	36,320
Income from investments	62,081	106,537
Expenses from profit and loss transfer agreements with affiliated companies	0	(6,487)
	104,609	136,370

(13) Interest result

	2005 € '000	2006 € '000
Other interest and similar income	32,234	29,552
of which from affiliated companies	[29,466]	[29,516]
Interest and similar expenses	(37,949)	(35,500)
of which from affiliated companies	[(17,739)]	[(11,001)]
	(5,715)	(5,948)

Notes to the income statement

(14) Other operating income

	2005 € '000	2006 € '000
Group tax allocations	28,656	24,644
of which corporate income tax	[16,212]	[13,882]
of which trade tax	[12,444]	[10,762]
Other income	6,749	3,022
	35,405	27,666

Other operating income mainly consists of income from tax allocations and from rendered services charged out to affiliated companies as well as the release of provisions.

(15) Personnel expenses/Employees

	2005 € '000	2006 € '000
Wages and salaries	20,053	22,955
Social security	1,908	2,219
Pension cost	1,374	1,415
	23,335	26,589

The average headcount in the year 2006 was 193 (prior year: 181).

(16) Other operating expenses

	2005 € '000	2006 € '000
Other taxes	44	64
Other expenses	26,340	26,714
	26,384	26,778

Other operating expenses mainly consist of legal expenses and consulting fees, refunds for services from affiliated companies, travel expenses, the cost of preparing financial statements and annual general meeting expenses, remuneration of the supervisory board, recruiting costs as well as other rent and rent incidentals.

(17) Income taxes

	2005 € '000	2006 € '000
Income taxes	10,939	1,694
Corporate income tax	6,527	1,188
Trade tax	4,752	878
Deferred taxes	(340)	(372)
Income taxes for prior years	(38,933)	(3,277)
Corporate income tax	13,948	(3,277)
Trade tax refund 1996 – 2001	(52,881)	0
Total	(27,994)	(1,583)

Under Income taxes for prior years, the disclosure in the prior year relates to the € 38.9 million refund of trade tax for the years 1996 to 2001.

Other taxes are reported under (16), Other operating expenses.

Other notes

Statutory audit

The annual financial statements of Celesio AG, the main German subsidiaries and the consolidated financial statements were audited by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC), Stuttgart (Germany). In the fiscal year, expenses for services rendered by PwC Deutschland totalled € 601,000 (prior year: € 439,000). Of this amount € 419,000 (prior year: € 389,000) related to statutory audits while € 182,000 was spent on other services (prior year: € 50,000).

Notices from shareholders

According to a notice dated 02/04/2004 pursuant to Sec. 41 (2) Sent. 1 WpHG [Wertpapierhandelsgesetz: Securities Trading Act] Franz Haniel & Cie. GmbH, Duisburg (Germany) held a total of 60% of the voting rights in Celesio on 01/04/2002. Franz Haniel & Cie. GmbH prepares consolidated financial statements containing Celesio AG and its subsidiaries. These consolidated financial statements are published and filed with the commercial register of the local court of Duisburg (Germany), No. B 25.

According to the knowledge of Celesio AG, the current shareholding of Franz Haniel & Cie. GmbH, Duisburg, came to 52.9% (prior year: 52.9%) at the end of the reporting year.

Corporate governance

The management board and supervisory board last issued a declaration of compliance with the recommendations of the German Corporate Governance Codex pursuant to Sec. 161 AktG [Aktiengesetz: German Stock Corporation Act] on 12/12/2006 and published this on their website at www.celesio.com.

Total remuneration and compensation structure of the management board

Total remuneration paid to the management board in 2006 fiscal year amounted to € 6,510,000 (prior year: € 4,983,000). Of this amount € 969,000 (prior year: 895,000) was fixed remuneration, € 4,111,000 (prior year: € 3,041,000) profit-related remuneration (profit bonus) and € 1,430,000 (prior year: € 1,047,000) remuneration with long-term incentive (strategy bonus). Besides these short-term benefits, the pension provisions were increased by € 246,000 (prior year: € 789,000). There is no share-based programme in place at Celesio AG.

At the instigation of the personnel committee, the structure of the remuneration system for the management board is discussed by the supervisory board and checked regularly. The personnel committee is responsible for setting the remuneration paid to the management board. This committee is composed of the chairman of the supervisory board, Dr Eckhard Cordes and two other members of the supervisory board, Hans-Martin Poschmann and Dr Ihno Schneevoigt.

Total remuneration paid to the management board is based on an appropriate balance between the tasks and performance of the members of the management board and the economic situation of Celesio AG. Total remuneration of management board members comprises a fixed monthly income and a performance-based variable component. The fixed remuneration as a basic salary and installment payments of the performance-related remuneration (2006: € 549,000) are paid as a monthly salary. The benefits in kind are limited to the use of the company car and must be taxed by the members of the management board. The variable component is made up of a profit bonus and a strategy bonus. The members of the management board also received direct pension commitments. The amount of the commitment depends on the fixed salary and the possible period of service and is thus not tied to the variable remuneration component. Benefits in the event of termination of service have not been promised to the members of the management board.

Other notes

Profit bonus

This profit bonus is measured on the cash flow of the Celesio Group. The profit bonus is calculated as a percentage of the cash flow generated in the respective fiscal year.

Strategy bonus

The measurement base used for the strategy bonus is the performance indicator, EVA (Economic Value Added*). Thus, the measurement base is the development of the value added to the company in excess of the cost of capital. This fosters value-based management and an entrepreneurial management culture.

The former members of the management board of Celesio AG and their surviving dependents received remuneration of € 269,000 (prior year: € 230,000). A provision of € 3,743,000 (prior year: € 3,751,000) has been recognised to cover them.

In the 2006 fiscal year, Celesio AG neither granted credit to management board members nor did it enter into any contingencies in favour of these persons.

* Registered trademark of Stern Stewart & Co.

Total remuneration and compensation structure of the supervisory board

The remuneration paid to the supervisory board is defined in Art. 5 of the articles of association of Celesio AG. In addition to reimbursement of their out-of-pocket expenses, the members of the supervisory board receive fixed remuneration of € 5,000 annually and an additional payment of € 800 for each half percentage point of dividends distributed to shareholders in the past fiscal year that is in excess of 4% of subscribed capital. These payments are net of VAT which must be added as applicable. The chairman receives twice the standard amount paid to the other members of the supervisory board and the deputy receives one and a half times the standard. Each member of a committee – with the exception of the committee founded to satisfy Sec. 27 (3) MitbestG [Mitbestimmungsgesetz: Codetermination Act] – receives € 2,000, with the chairman of a committee receiving € 4,000.

Total remuneration paid to the supervisory board in the 2006 fiscal year amounted to € 1,172,000 (prior year: € 1,006,000). Of this amount, € 68,000 (prior year: € 67,000) was attributable to fixed remuneration paid for membership of the supervisory board, € 1,091,000 (prior year: € 925,000) for variable components pegged to dividend pay-outs for membership in the supervisory board plus € 14,000 (prior year: € 14,000) for committee activities.

Prof Zahn received a fee of € 2,000 (prior year: € 2,000) for consulting services rendered to GEHE Pharma Handel GmbH.

In the 2006 fiscal year, Celesio AG neither granted credit to supervisory board members nor did it enter into any contingencies in favour of these persons.

Other notes

Share ownership and transactions subject to mandatory disclosure

The accumulated shareholding (including options and the like) of members of the management board and members of the supervisory board of Celesio AG remained below 1% of the total shares outstanding of the company.

Pursuant to Sec. 15a WpHG people who hold a management function at a publicly listed German company or any legal or natural people who are related to such a functionary have a duty to report to the company and to the Bundesanstalt für Finanzdienstleistungsaufsicht [Federal Financial Supervisory Authority] if they buy or sell shares or related financial instruments in the company of over € 5,000. Celesio AG did not receive any notices in this regard for the reporting year.

Proposal from the management board for the appropriation of profits

The profit of Celesio AG available for distribution amounts to € 127,575,000 (prior year: € 119,070,000).

The management board proposes distributing this amount of € 127,575,000 in full (prior year: € 119,070,000) as a dividend for 2006 fiscal year.

Based on this proposal for the appropriation of profits, the dividend per share amounts to € 0.75 (prior year: ordinary dividend of € 0.67 plus a special dividend of € 0.03*).

Stuttgart, 15 February 2007

The Management Board

* Adjusted to take account of share split 1:2

Members of the management board

	Membership of further management boards and comparable committees:	Membership of supervisory boards and comparable control committees:
<p>Dr Fritz Oesterle Chairman and Chief Executive Officer</p>	<ul style="list-style-type: none"> – Management board Franz Haniel & Cie. GmbH (from 01/10/2006) 	<ul style="list-style-type: none"> – Herba Chemosan Apotheker-AG, Deputy Chairman – Norsk Medisinaldepot AS, Member of the Board of Directors – Healthcare Services Group plc, Member of the Board of Directors – Untertürkheimer Volksbank e.G. – Verwaltungsrat Christophsbad Göppingen Dr. Landerer Söhne GmbH, (until 31/12/2006) – Lloyds Nederland B.V., (until 07/06/2006)
<p>Stefan Meister Deputy Chairman</p>		<ul style="list-style-type: none"> – Lloyds Nederland B.V. (until 07/06/2006)
<p>Jacques Ambonville (until 30/09/2006)</p>		
<p>Wolfgang Mähr (from 01/10/2006)</p>		<ul style="list-style-type: none"> – GEHE Pharma Handel GmbH, Chairman (from 01/10/2006) – OCP S.A., Chairman – Herba Chemosan Apotheker-AG
<p>Dr Felix A Zimmermann</p>		<ul style="list-style-type: none"> – Herba Chemosan Apotheker-AG – Kemofarmacija d.d., Deputy Chairman

Members of the supervisory board

Dr Eckhard Cordes Chairman (from 27/04/2006)	Chairman of the Management Board Franz Haniel & Cie. GmbH	Membership of supervisory boards and comparable control committees: <ul style="list-style-type: none"> – METRO AG, Chairman (from 20/02/2006) – TAKKT AG (from 31/05/2006) – Rheinmetall AG – Air Berlin PLC, Non-Executive Director in Board of Directors (from 15/05/2006) – SKF Aktiebolaget, Member of Board of Directors (from 25/04/2006)
Prof Theo Siebert Chairman (until 27/04/2006)	Managing partner of de Haen Carstanjen & Söhne	<ul style="list-style-type: none"> – ERGO Versicherungsgruppe AG – METRO AG, Chairman (until 20/02/2006) – TAKKT AG (until 31/05/2006) – Merck KGaA (from 30/06/2006) – Deutsche Bank AG (from 16/07/2006)
Ihno Goldenstein Deputy Chairman	Employee Goods-In Department GEHE Pharma Handel GmbH	
Klaus Borowicz	Head of Branch Office GEHE Pharma Handel GmbH	
Prof med Julius Michael Curtius	Cardiologist	
Dr Hubertus Erlen	Chairman of the Management Board Schering AG (until 13/09/2006) Deputy Chairman of the Supervisory Board Bayer Schering Pharma AG (from 14/09/2006)	<ul style="list-style-type: none"> – Bayer Schering Pharma AG, Deputy Chairman of the Supervisory Board (from 14/09/2006) – Kuratorium der Bertelsmann Stiftung
Dirk-Uwe Kerrmann	Commercial employee GEHE Pharma Handel GmbH	
Jörg Lauenroth-Mago	Trade Union Secretary ver.di – Vereinte Dienstleistungsgewerkschaft e.V.	– GEHE Pharma Handel GmbH
Ulrich Neumeister	Logistics employee GEHE Pharma Handel GmbH	
Hans-Martin Poschmann	Trade Union Secretary ver.di – Vereinte Dienstleistungsgewerkschaft e.V.	
Dr Ihno Schneevoigt	Member of the Management Board (retired) Allianz Versicherungs-AG Allianz Lebensversicherungs-AG	<ul style="list-style-type: none"> – Ströer Out-of-Home Media AG – Korn/Ferry International Corp., Board of Directors
Dr Klaus Trützschler	Member of the Management Board Franz Haniel & Cie. GmbH	<ul style="list-style-type: none"> – TAKKT AG, Chairman – Allianz Versicherungs-AG – Bilfinger Berger AG – CEMEX Deutschland AG
Prof Erich Zahn	Professor of Business Studies University of Stuttgart	– Kuratorium Fraunhofer-Institut für Produktionstechnik und Automatisierung IPA

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of the Celesio AG for the business year from 1 January to 31 December 2006. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the annual financial statements and in the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, 15 February 2007

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Wagner)
Wirtschaftsprüfer

(Wißfeld)
Wirtschaftsprüfer

The financial statements and management report of Celesio AG for the 2006 fiscal year are published in the Bundesanzeiger (Federal Gazette) and filed with the commercial register of the local court of Stuttgart. The management report of Celesio AG is combined with the management report of the group. This report is included in the Celesio 2006 annual report.

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